

## Message Text

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45

ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 EURE-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02

STR-04 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 IO-11

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TO SECSTATE WASHDC PRIORITY 327

INFO ALL EC CAPITALS 1558

AMEMBASSY ALGIERS PRIORITY

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY RABAT

AMEMBASSY TUNIS

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E.O. 11652: N/A

TAGS: ETRD, EGEN, EEC, XI

SUBJECT: EC MEDITERRANEAN POLICY: ALGERIA CONCLUDES COOPERATION AGREEMENT WITH THE EC

REF: (A) EC BRUSSELS 340 (NOTAL), (B) EC BRUSSELS 238 (NOTAL)

1. SUMMARY: FOLLOWING-UP THE CONCLUSION OF LENGTHY NEGOTIATIONS WITH MOROCCO AND TUNISIA (REF A), THE EC ENDED A MARATHON NEGOTIATING SESSION IN THE EARLY HOURS OF JANUARY 17 WITH THE SUCCESSFUL CONCLUSION OF A COOPERATION AGREEMENT WITH ALGERIA. THE AGREEMENT IS IDENTICAL TO THOSE CONCLUDED WITH THE OTHER TWO MAGHREB STATES EXCEPT FOR CERTAIN AGRICULTURAL AND INDUSTRIAL PRODUCT CONCESSIONS, AND IN THE AMOUNT OF FINANCIAL AID (SEE REF A FOR A FULLER DESCRIPTION OF THE CONTENTS OF THESE

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MAGHREB COOPERATION AGREEMENTS.) END SUMMARY.

2. UNDER THE TRADE PROVISIONS, ALGERIA WILL BENEFIT FROM A DUTY-FREE QUOTA FOR REFINED PETROLEUM PRODUCTS OF 1,100,000 TONS P.A., CONSIDERABLY LARGER THAN THE 175,000 TONS EACH PROVIDED FOR TUNISIA AND MOROCCO. SIMILARLY THE BIG DIFFERENCE IN THE AGRICULTURAL CONCESSIONS IS THE SIZE OF THE DUTY-FREE WINE QUOTA--450,000 HECTOLITRES P.A. INSTEAD OF THE 50,000 TUNISIA AND MOROCCO WILL EACH RECEIVE. THE FINANCIAL COOPERATION CHAPTER CONTAINS 114 MILLION U.A. OVER 5 YEARS (70 M.U.A. FROM THE EUROPEAN INVESTMENT BANK, 19 M.U.A. IN SPECIAL LOANS AND 25 M.U.A. IN GRANTS). THE ALGERIANS ALSO ACCEPTED THE SAME NON-DISCRIMINATION (ARAB BOYCOTT) CLAUSES AS DESCRIBED IN REF A.

3. COMMISSION SOURCES ARE UNDERSTANDABLY PLEASED AND RELIEVED THAT THESE DIFFICULT MAGHREB NEGOTIATIONS ARE OVER AND NOTE THAT ALGERIA, AFTER MUCH DEBATE, HAS TAKEN A SIGNIFICANT STEP IN CONCLUDING THIS ACCORD. ONE EC OFFICIAL SURMISED AS HOW ALGERIAN AMBASSADOR AIT CHAALAL HAS TAKEN A CALCULATED RISK IN CONCLUDING THE NEGOTIATIONS AND WILL HAVE TO SELL THE RESULTS PRETTY PERSUASIVELY TO SATISFY SOME OF HIS DOMESTIC HARDLINERS. EC COMMISSIONER FOR DEVELOPMENT CHEYSSON TOLD THE AMBASSADOR ON JANUARY 17 HOW RELIEVED HE WAS AT THE SETTLEMENT REACHED EARLIER THAT DAY. HE HAD BEEN PARTICULARLY CONCERNED, GIVEN ALGERIA'S EXTREMELY TOUGH POSITIONS THROUGHOUT THE LONG NEGOTIATIONS, THAT THE ALGERIANS MIGHT BE TAKING THE "LIBYAN ROUTE", --I.E. NO AGREEMENT -- AND IS VERY PLEASED THEY'VE CHOSEN CLOSER LINKS WITH THE EC INSTEAD.

4. THE RESULTS OF THE THREE MAGHREB NEGOTIATIONS, INITIALLED ON AD REFERENDUM BASIS, WILL NOW BE SUBMITTED TO THE COUNCIL OF FOREIGN MINISTERS FOR CONSIDERATION (PROBABLY AT THE FEBRUARY 9-10 COUNCIL, SEE SEPTEL). IT IS EXPECTED THAT THEY WILL BE APPROVED WITHOUT TOO MUCH DIFFICULTY THOUGH THERE IS LIKELY TO BE SOME CRITICISM IN THE AREAS IN WHICH THE COMMISSION EXCEEDED ITS MANDATE, ESPECIALLY CERTAIN EC AGRICULTURAL CONCESSIONS. COMMISSION SOURCES EXPECT THAT AN INTERIM TRADE ARRANGEMENT COULD THEN BEGIN ON 1 JULY, WITH THE FULL AGREEMENTS COMING INTO FORCE WHEN ALL THE MEMBER STATES AND THE THREE MAGHREB STATES HAVE RATIFIED' PROBABLY EARLY IN 1977.

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5. CONCLUSION OF THE MAGHREB NEGOTIATIONS NOW ALLOWS THE EC TO CONCENTRATE ON NEGOTIATIONS WITH THE MASHREK (EGYPT, JORDAN, SYRIA AND LEBANON), OF PARTICULAR IMPORTANCE IN MAINTAINING A SENSE OF BALANCE VIS-A-VIS ISRAEL UNDER THE AEGIS OF THE EC'S MEDITERRANEAN POLICY. OPENING ROUNDS IN BRUSSELS ARE SET FOR EGYPT ON JANUARY 28-29, FOR JORDAN ON FEBRUARY 2-3, AND FOR SYRIA ON FEBRUARY 4-5. IN VIEW OF THE UNSTABLE SITUATION IN LEBANON, THE COMMISSION HAS NOT YET BEEN ABLE TO SET A DATE.

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